

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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TO SECSTATE WASH DC 8593

INFO AMEMBASSY ANKARA

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E.O. 11652: N/A

TAGS: EFIN, EAID, OECD, TU

SUBJECT: TURKISH CONSORTIUM MEETING, SEPTEMBER 25-26

1. SUMMARY: THIRTY-FIFTH SESSION OF CONSORTIUM FOR TURKEY HELD IN PARIS SEPTEMBER 25-26. GENERAL TENOR OF MEETING WAS ESTABLISHED IN HALL CONVERSATIONS PRIOR TO MEETING WHEN GOT DELEGATION MADE CLEAR ITS SENSITIVITY TO BEING QUESTIONED ABOUT GOT POLICY REGARDING BASIC ISSUES RAISED IN OECD PRE-CONSORTIUM DOCUMENTS. GOT ALSO TOOK INITIATIVE TO DELETE REFERENCES TO PLEDGING. IN FACT, IT HAD PLEDGING SESSION AND DISCUSSION OF FUTURE BILATERAL PROGRAMS REPLACED BY DISCUSSION OF STATUS OF PRESENT YEAR PROGRAMS OF ATTENDING MEMBERS. ASSUME GOT DELEGATION WISHED TO AVOID ANY SITUATION WHICH COULD HAVE REPERCUSSIONS IN LIGHT OF DELICATE POLITICAL BALANCE AT HOME. ALSO ASSUME THAT REQUEST NOT TO CONDUCT PLEDGING SESSION RELATES TO FEAR THAT GOT WOULD NOT GET SUBSTANTIVE PLEDGES FROM MEMBER COUNTRIES AND THEREFORE WISHED TO AVOID REPORTS IN TURKEY THAT GOT HAD REQUESTED

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ASSISTANCE BUT HAD BEEN TURNED DOWN.

2. FIRST SESSION BEGAN WITH REVIEW OF CURRENT DEVELOPMENTS IN TURKISH ECONOMY, BASED ON ANALYSIS PROVIDED IN PREPARATORY DOCUMENTS. MAJOR FOCUS WAS ON RECENT ADVERSE DEVELOPMENTS IN BALANCE OF PAYMENTS AND DETERIORATION OF FOREIGN EXCHANGE RESERVES. SECRETARIAT EXPRESSED CONCERN AT PROJECTION OF RISE IN FOREIGN INDEBTEDNESS TO DOLLARS 10 BILLION BY EARLY 1980, WITH AN INCREASING PORTION OF THIS DEBT IN SHORT-TERM MATURITIES AND THE SUBSEQUENT RISE IN ANNUAL SERVICING FROM THE PRESENT APPROXIMATE DOLLARS 300 MILLION TO APPROXIMATELY DOLLARS ONE BILLION BY 1980.

3. GOT ACKNOWLEDGED SERIOUSNESS OF PROBLEMS BUT FELT THAT THESE WERE DUE MORE TO WORLDWIDE ECONOMIC SITUATION THAN TO FACTORS RELATED SPECIFICALLY TO TURKEY. GOT POINTED OUT THAT ECONOMIC GROWTH IN FACE OF CURRENT PROBLEMS HAD BEEN STRONG WITH A REAL GROWTH RATE IN GNP OF 7.4 PERCENT IN 1974 AND A GROWTH RATE OF 8 PERCENT PROJECTED FOR 1975. TURKISH DELEGATION ALSO NOTED GOT'S MEASURES TO FIGHT INFLATION AND INCREASE BUDGET REVENUES WHICH WERE UP BY 37 PERCENT LAST YEAR.

4. FOLLOWING TURKISH DELEGATION'S PRESENTATION, CONSORTIUM MEMBERS DELIVERED OPENING STATEMENTS. FOLLOWING CONCERNS WERE RAISED. IBRD VOICED CONCERN FOR LONG DELAY IN PROJECT IMPLEMENTATION SCHEDULE AND SUBSEQUENT PIPELINE WHICH HAD DEVELOPED. IBRD FELT THIS WAS TO A LARGE EXTENT THE RESULT OF INSTITUTIONAL INEFFICIENCY. THEY SUGGESTED THAT NEW FUNDING SHOULD LOOK TO FINANCING COST OVERRUNS WHICH HAVE RESULTED DURING LONG IMPLEMENTATION PERIODS BEFORE LOOKING TO NEW PROJECTS.

5. SIR KENNETH BERRILL, SPEAKING FOR CONSORTIUM EXPERT GROUP, COMMENTED ON RENEWED CONCERN THAT EMPHASIS ON HEAVY INDUSTRIALIZATION IN THIRD PLAN CAUSED INATTENTION TO MORE IMPORTANT FIELDS OF POPULATION, EMPLOYMENT AND AGRICULTURE. THIS ATTITUDE WAS LATER SUPPORTED BY REFINED LIST OF PROJECTS PRESENTED BY GOT TO CONSORTIUM, 75 PERCENT OF WHICH WERE IN ENERGY FIELD. BERRILL ALSO LIMITED OFFICIAL USE

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COMMENTED ON APPARENT DISPARITY BETWEEN GOT STATED POLICY TOWARD PRIVATE FOREIGN INVESTMENT WHICH WAS POSITIVE AND BUREAUCRATIC ATTITUDE WHICH WAS OFTEN OBSTRUCTIONIST. U.S. AND OTHER MEMBERS REITERATED THIS SENTIMENT AND REINFORCED IMPORTANCE OF PRIVATE FOREIGN INVESTMENT. OTHERS ALSO NOTED TURKEY'S FAILURE TO DEVELOP TOURIST SECTOR WHICH COULD BE IMPORTANT FOREIGN EXCHANGE EARNER.

6. GOT DELEGATION RESPONSE MORNING SEPTEMBER 26 TENDED TO DWELL IN GENERALITIES AND MADE ALLUSIONS TO PROPOSED REFORMS. REGARDING THE BALANCE OF PAYMENTS STATISTICS AND PROJECTION, THE GOT DELEGATION STATED THAT THEY COULD NOT ACCEPT SOME OF THE ASSUMPTIONS ON WHICH THE OECD HAD BASED ITS PROJECTIONS. THEREFORE, IT COULD NOT ACCEPT THAT AS SERIOUS A SITUATION WOULD DEVELOP AS WAS PROJECTED BY THE OECD. GOT DELEGATION ASSERTED THAT THEY

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COULD NOT CUT IMPORTS WITHOUT SERIOUSLY HAMPERING THEIR DEVELOPMENTAL INVESTMENTS. THEREOFRE, THEY WOULD HAVE TO RAISE THE VALUE AND QUANTITY OF THEIR EXPORTS. THEY DID NOT, HOWEVER, EXPLAIN HOW THIS WOULD BE DONE. (IN RESPONSE TO A QUESTION FROM UK DEL, TURKS SAID THEY ATTACH GREAT IMPORTANCE TO DEVELOPING EXPORTS OF FOOD-STUFFS -- MEAT, VEGETABLES -- TO NEIGHBORING OPEC

COUNTRIES AND PROVISION OF SERVICES AND SOME MANUFACTURED GOODS.) LIKEWISE, GOT DELEGATION ACKNOWLEDGED A ONE BILLION DOLLAR PIPELINE LARGELY FOR IBRD PROJECTS AND SAID THEY WOULD SPEED UP DISBURSEMENTS, WITHOUT SAYING HOW THEY HOPE TO ACCOMPLISH THIS. THEY ALSO STATED THEY RECOGNIZED POTENTIAL FOR FOREIGN EXCHANGE EARNINGS FROM A MORE ACTIVE TOURIST INDUSTRY AND WELCOMED ASSISTANCE IN THIS AREA.

7. FOLLOWING THIS DISCUSSION, THE CONSORTIUM MEMBERS DISCUSSED STATUS OF THEIR PROGRAMS. IBRD STATED THEY LIMITED OFFICIAL USE

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WOULD BE READY TO PROVIDE TURKEY UP TO DOLLARS 200 MILLION IF THE GOT COULD MOBILIZE DOMESTIC RESOURCES AND IDENTIFY FUNDABLE PROJECTS. EIB STATED THAT THEY STILL HAVE TO NEGOTIATE THE THIRD FORMAL PROTOCOL BUT THAT UNDER THE SECOND PROTOCOL DOLLARS 47 MILLION MORE WILL BE EARMARKED FOR TURKEY AS A RESULT OF ENLARGEMENT OF THE EEC.

8. FRG GUARANTEED SUBSTANTIAL ASSISTANCE THIS YEAR WITHOUT MENTIONING A SUM. US STATEMENT NOTED WE HAD NO PRESENT PLANS FOR FUTURE CONCESSIONAL AID TO TURKEY, BUT INTENDED CONTINUE SUPPORTIVE OF TURKISH DEVELOPMENT IN OTHER WAYS. THESE INCLUDED EX-IM FINANCING, ENCOURAGEMENT OF TURKISH EXPORT POTENTIAL THROUGH LIKELY GSP ELIGIBILITY, U.S. PRIVATE INVESTMENT, AND SUPPORT FOR LENDING BY MULTILATERAL INSTITUTIONS. US DEL PLACED PRINCIPAL EMPHASIS, HOWEVER, ON MANNER IN WHICH TURKISH DEVELOPMENT COULD BENEFIT FROM VARIETY OF RECENT US INITIATIVES IN INTERNATIONAL ECONOMIC FIELD, CITING SECRETARY'S PROPOSALS BEFORE 7TH UNGA AS DESIGNED TO FACILITATE TRANSFER OF RESOURCES TO DEVELOPING COUNTRIES LIKE TURKEY WHILE PRESERVING ESSENTIAL ELEMENT OF MONETARY STABILITY.

9. GOT DELEGATION CLOSED THE 35TH SESSION WITH A DISCUSSION OF GOT POLICY ON PRIVATE FOREIGN INVESTMENT. THEY ASSERTED THAT GOT WELCOMES FOREIGN INVESTMENT, PROVIDED IT BENEFITS ECONOMY, PROMOTES EXPORTS AND DOES NOT REPEAT NOT DISPLACE DOMESTIC INDUSTRY OR INVOLVE MONOPOLY. GOT DELEGATE SAID JOINT VENTURES OR ENTERPRISES WITH MAJORITY TURKISH EQUITY ARE PARTICULARLY WELCOMED. TURKISH SIDE SAID STEPS HAVE BEEN TAKEN TO ELIMINATE BUREAUCRATIC OBSTACLES BUT DID NOT REPEAT NOT SPECIFY HOW. CHAIRMAN GIEL SAID THIS ISSUE RAISED AT EVERY CONSORTIUM MEETING AND FELT DEFINITIVE ACTION SHOULD BE TAKEN. HE PROPOSED CATALOGING SPECIFIC COMPLAINTS FROM MEMBER COUNTRIES, WITHOUT IDENTIFYING

INDIVIDUAL FIRMS, FOR LATER DISCUSSION WITH GOT.

10. TURKISH DELEGATION AND CHAIRMAN, SUPPORTED ALSO BY
GERMANS, SAID THAT THIS MEETING LAID GROUNDWORK FOR
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REINVIGORATING CONSORTIUM AND POSSIBLY FOR MORE FREQUENT
MEETINGS.
TURNER

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